



IS&E Division Annual Report: Strategic and Operational Data

FY 2002 - 03



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IS&E Division Mission



Division of Income, Sales, and Excise Tax

Our Mission

The Income, Sales, and Excise Tax Division administers Wisconsin's tax laws by providing excellent service, encouraging voluntary compliance, identifying and addressing noncompliance, and promoting fairness and equity in tax administration.

IS&E Division Action Plan

Implement workforce planning to prepare for imminent retirements and potential promotions.

- Encourage potential leaders to attend Leadership Development Program
- Identify key positions and develop succession plans
- Focus on individual and organizational performance discussions and measures
- Provide at least three days of continuing education for enforcement staff on an annual basis
- Meet with groups of employees quarterly to encourage exchange of ideas and information

Create a positive work environment by identifying areas in need of improvement from employee survey results and implementing changes in processes, programs and technology to improve work environment.

Lead national effort to develop Streamlined Sales Tax System for the 21st Century

- Enact legislation
- Update administrative rules
- Implement technology
- Implement rates/jurisdiction and taxability databases
- Provide training and education to taxpayer groups

Increase audit collection through voluntary compliance and enforcement efforts.

- Effectively use auditor resources to ensure a well-rounded audit program in all tax programs, geographic areas, types of businesses, etc.
- In conjunction with Research & Policy Division staff and tax incidence study, analyze Minnesota sales tax gap study for applicability to reducing Wisconsin tax gap
- Identify additional businesses with nexus in Wisconsin that are not filing and bring them in to compliance
- Improve tax compliance of pass-through entities per the Enterprise Administrative Services Initiative
- Identify individual income tax nonfilers by matching databases of information; bring nonfilers into compliance

- Improve corporation franchise/income tax compliance through field audits and accounting for adjustments
- Develop two new technical publications to improve sales tax compliance
- Develop a new excise tax system for motor vehicle fuel, cigarettes and liquor taxes
- Use investigative resources to ensure a well-rounded and equitable criminal enforcement program

Increase delinquent tax collections through voluntary compliance and enforcement efforts

- Implement DOR/DWD Joint Collections Initiative consistent with Enterprise Administrative Services Initiative
- Investigate the use of risk assessment technology to score and prioritize delinquent collection cases
- Integrate bankruptcy subsystem into the delinquent tax system and provide for electronic bankruptcy noticing
- Motivate licensing agencies to complete implementation of occupational licensing denial program

Integrate alcohol and tobacco enforcement with collection and audit enforcement.

- Develop procedures for joint actions on licensed premises that operate after revocation of seller's permit and non-renewal of liquor license
- Implement video gaming enforcement provisions in 2003-05 Budget Bill.
- Develop procedures for conducting joint audit/investigations

Implement collection shared services initiative to increase revenue without increasing taxes. DOR becomes collections processing center for other state receivables. Improve refund interception collections for state agencies, counties, and municipalities.

- Promote the refund interception program to increase enrollment, including increasing the active participation of counties/municipalities currently enrolled but not using the program
- Work with applications development staff to implement prioritized enhancement to agency set-off process.

- Redesign the agency debt file into a database to meet the needs of ITS Release 2

Successfully implement major business process improvement (BPI) and e-business projects to advance DOR's operational efficiencies and customer service.

- Identify new uses for data warehouse and STAX data
- Work with R&P Division to identify new sources of information for audit selection and collection sources
- Ensure that SLF Real Estate Transfer Return project provides information about real estate transfers for income tax purposes

Participate in the development and implementation of ITS Release 2.

- Provide resources to support, design, develop, test and implement ITS
- Ensure that ITS Release 2 results in an improved office audit assessment/refund worksheet and an effective correspondence system
- Ensure that ITS Release 2 results in a revamped refund interception program

Identify specific customer service initiatives to better serve taxpayers.

- Revise tax forms and instructions per project team recommendations
- Improve processing of Homestead and Earned Income Credit claims

Coordinate with Processing & Customer Service Division and Secretary's Office in Taxpayer Outreach efforts.

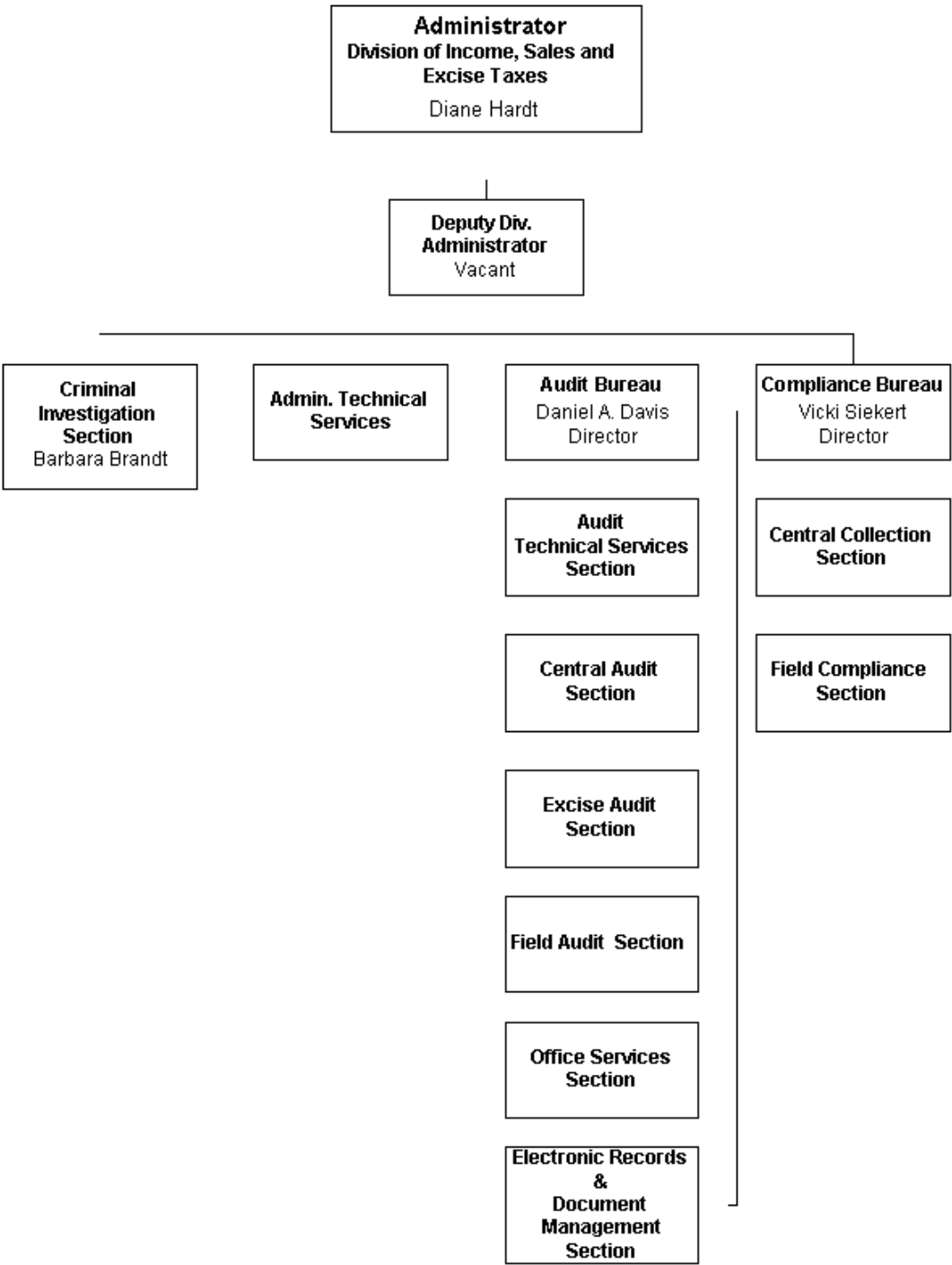
- Meet with tax practitioners, Tax Executive Institute and WICPA Tax Committee on a regular basis
- Meet with groups like the Wisconsin Grocers Association to train in new tax laws related to Streamlined
- Meet with appropriate groups for outreach and to improve voluntary tax compliance on homestead credit and earned income tax credits

IS&E Division Selected Accomplishments

- Delinquent tax collections year-to-date are 13% ahead of last year.
- Audit collections year-to-date are 31% ahead of goal.
- Provided additional manager training and elevated importance of individual employee performance reviews. Addressed some problem performers.
- Hired and trained 15 new revenue agents and 15 new revenue auditors.
- Provided technical training to auditors and agents in corporation tax planning schemes, bank taxation, streamlined sales tax laws and other tools needed in positions.
- Developed web-based Delinquent Tax Help page and use tax calculator.
- Expanded the use of data for identifying nonfilers and underreports (Miosoft and data warehouse projects).
- Developed project charter and plan to increase compliance efforts in pass-through entities.
- Developed financial institutions rule and worked with businesses for approval.
- Conducted semi-annual tax practitioner meetings with tax practitioners around the state.
- Led meetings with Tax Executives Institute and WICPA Tax Committee.
- Expanded the number of local governments participating in the refund interception program by 137% and the dollars collected for local governments by 228%.
- Implemented new law to collect sales taxes from vendors doing business with the state.
- Registered about 25 sellers who came forward through the Streamlined Project and wanted to begin collection of sales taxes through voluntary disclosure agreements.
- Pursued bank tax compliance efforts, including auditor training and audits, resolution of one major audit with a prospective compliance agreement, and continued discussions with banks and their associations.
- Developed video gambling enforcement plan and procedure. Assigned audits.
- Participated in collection discussions with Deloitte Consulting and then participated in joint collection discussions with DWD and DOA. Working on a plan for the 2005-07 budget.

- Developed a plan for improvements in the refund interception computer programs and processes.
- Modified homestead and earned income credit processes to automate more processes and reduce returns/claims for audit.
- Continued leading national Streamlined Sales Tax Project and implementation. Developed Wisconsin legislation and lobbied legislators. Worked with supporters on legislative hearings, educational materials. Developed project charter for computer systems. Trained employees at district meetings. Brought some recognition and respect to the department through Governing Magazine's Public Official Award

IS&E Division Organization Chart



IS&E Division Organization

The Income, Sales, and Excise Tax Division (IS&E) has approximately 560 permanent employees. Employees of the division are located in Appleton, Eau Claire, Madison, Milwaukee, and branch offices in 21 other cities throughout Wisconsin. There are also offices in Chicago, New York, and Minneapolis. The division is comprised of two bureaus and an administrative staff.

ADMINISTRATION

The primary responsibility of the office of the Administrator is to provide leadership and coordination of the activities of the division. This office sets policy for the administration of the tax laws. The *administrative staff* monitors the operating budget, provides leadership in the area of quality improvement, directs information technology activities, and provides space management. The *Technical Services Section* provides research assistance, directs legislative and rule-making activity, and designs tax returns and publications. *Criminal Investigation Section*, *Fraud Unit* assists in the prosecution of criminal violations of state tax laws, and locates non-filers. The *Alcohol & Tobacco Enforcement Unit* enforces state laws and regulations pertaining to cigarettes, tobacco products, and alcohol beverages.

AUDIT

The Audit Bureau encourages taxpayer compliance through office and field audits and by issuing assessments and refunds as appropriate. The Audit Bureau shares responsibility with the Compliance Bureau for taxpayer assistance. The *Central Audit Section* office audits returns, conducts non-filer programs, facilitates self-audits, and provides telephone and over-the-counter taxpayer assistance. The *Field Audit* and *Excise Audit Sections* audit tax records of businesses, from sole proprietorships to international corporations. Field audits are performed within Wisconsin, and throughout the United States.

COMPLIANCE

The Compliance Bureau is responsible for collecting delinquent taxes, and state agency debts. The Bureau shares responsibility with the Audit Bureau for taxpayer assistance. The *Central Collection Section* contacts new delinquent accounts by telephone and letter, and intercepts refunds to offset debts. The *Field Compliance Section* collects delinquent taxes through personal contact with taxpayers, obtains returns from nonfilers, and assists taxpayers.

APPENDIX A:

TAX DESCRIPTIONS AND DETAILED TABLES

Tax Descriptions

The Income, Sales, and Excise Tax Division is responsible for administering the following taxes:

INDIVIDUAL INCOME TAX

Wisconsin's individual income tax, enacted in 1911, is the oldest income tax law in the nation, preceding the federal law by two years. There have been a number of important changes to the individual income tax over the years. In 1962, payroll withholding and quarterly declarations were introduced to create a pay-as-you-go tax system. In 1965, the law was changed to conform to the Wisconsin income tax to the federal individual income tax. Wisconsin taxable income is based on federal adjusted gross income, with modifications, and less the Wisconsin standard deduction and personal exemptions. The top tax rate is 6.75%. Several credits may be deducted from the initial tax, including: Wisconsin itemized deduction credit, married couple credit, school property tax credit, and working families credit.

CORPORATE INCOME AND FRANCHISE TAX

Corporations are subject to either an income tax or a franchise tax. The corporate income tax, imposed since 1911, is a tax on the net income of corporations doing business in the state. The corporate franchise tax, imposed since 1965, is a tax on the privilege of doing business in the state. The distinction between the two taxes relates primarily to the restrictions under federal law on the types of income that states can tax with an income tax (e.g., interest from U.S. obligations). Corporations pay one or the other of these taxes; the majority pay the franchise tax. In 1987, a Wisconsin law change federalized the determination of net taxable income for the corporate income and franchise taxes. Corporate taxpayers are subject to tax on the Wisconsin apportioned share of their federal net taxable income, with some adjustments. There is a flat tax rate of 7.9%.

RECYCLING SURCHARGE

Legislation during 1991 established a temporary recycling surcharge equal to 5.5% of the gross tax liability of corporations, and 0.4345% of the net business income of all non-farm sole proprietorships, partnerships, and tax-option corporations. 1998 legislation cut tax rates by half: 2.75% of the gross tax liability of corporations, and 0.2173% of the net business income. Legislation effective for 2000 replaced the temporary recycling surcharge with a permanent surcharge for corporations, individuals, estates, trusts and partnerships engaged in a trade or business that have \$4,000,000 or more in gross receipts. The new surcharge rates are 3% of the gross tax liability of corporations except tax-option corporations which are subject to a surcharge of 0.2% of net income and 0.2% of the net business income of sole proprietorships, estates, trusts and partnerships. The minimum (\$25.00) and maximum (\$9800) amount of surcharge remained the same.

Revenues from the recycling surcharge are used to fund local government recycling and solid waste management programs, and private business efforts to develop recycled products or markets related to these products.

STATE SALES AND USE TAX

Wisconsin's first sales tax was a 3% selective sales and use tax effective in 1962. In 1969, a general sales and use tax came into effect. Currently, a 5% sales tax is imposed upon gross receipts from the sale, lease or rental of all tangible personal property, unless specifically exempt, and specified services. Where sales tax is not paid, a 5% use tax is imposed on the storage, use, or other consumption in Wisconsin of these same items. Taxable services include: the furnishing of hotel rooms; admissions to entertainment events; telecommunications services; dry cleaning; photographic services; parking; printing; the repair, cleaning and maintenance of tangible personal property; cable television services; and landscaping.

There are many exemptions from the sales and use tax. Examples of exemptions are: food and beverages for off-premise human consumption, prescription medicines, newspapers, farm machinery, and tangible personal property consumed in manufacturing.

LOCAL SALES AND USE TAXES

County sales and use tax. A county may levy a sales and use tax of 0.5%. The tax applies to the same items and services taxed by the state sales and use tax. As of June 30, 2003, 57 counties adopted a tax, which the state collects and administers for them.

Stadium sales and use tax. The stadium tax was created for the purpose of assisting in the development of a professional baseball park in Wisconsin. The tax rate is 0.1%, imposed on the sale of and the storage, use, or consumption of tangible personal property and taxable services in five Wisconsin counties which make up the "stadium district."

Football stadium tax. The football stadium tax was created for the purpose of assisting the development of professional football stadium facilities in Wisconsin. Beginning November 1, 2000, there is a 0.5% football stadium tax on the sale of and storage, use or consumption of tangible personal property and taxable services in Brown County.

Local exposition district taxes. The City of Milwaukee has established a Local Exposition District in order to finance an exposition center. The following taxes are imposed within municipalities located wholly or partially in Milwaukee County: 0.25% food and beverage tax; 3% car rental tax; 2% room tax; and 7% additional room tax in the City of Milwaukee.

Premier resort area tax. A political subdivision may become a “premier resort area” if (1) at least 40% of the equalized assessed value of its taxable property is used by tourism-related retailers or (2) the legislature deems it a premier resort area. The premier resort area tax is 0.5% of the gross receipts from the sale, lease or rental of goods or services that are: (a) made within the premier resort area, (b) taxable under the general sales and use tax laws, and (c) made by tourism businesses. The proceeds of the tax are used for infrastructure within the premier resort area. Currently, there are three premier resort areas that impose a premier resort area tax: the City of Bayfield, the City of Wisconsin Dells and the Village of Lake Delton.

ESTATE TAX

The estate tax is equal to the federal credit against the federal estate tax. For deaths occurring from October 1, 2002, through December 31, 2007, the federal credit for state death taxes and the federal estate tax is computed under the federal estate tax law in effect on December 31, 2000. For deaths occurring after December 31, 2007, the federal credit for state death taxes and the federal estate tax will be computed under the federal estate tax law in effect on the date of the decedent’s death.

MOTOR VEHICLE, AVIATION, AND ALTERNATE FUEL TAXES

Motor vehicle fuel means gasoline and diesel fuel. Licensed motor vehicle fuel suppliers pay the tax based on their withdrawals from a pipeline terminal. The tax is then passed through the distribution chain to the end consumer. Effective April 1, 2003, the excise tax is 28.5¢ per gallon.

The tax on aviation fuel (used to propel an aircraft) is 6¢ per gallon. Alternate fuel is all combustible gases and liquids, other than motor vehicle fuel or aviation fuel, used to propel a motor vehicle. Effective April 1, 2003, the tax on alternate fuel is: 20.8¢ per gallon (LPG-liquefied petroleum gas) and 22.8¢ per gallon (CNG—compressed natural gas).

LIQUOR, WINE, AND BEER TAXES

The distilled spirits, wine, and beer taxes are occupational taxes paid by (a) the Wisconsin wholesaler who imports the beverage from a foreign country, (b) the out-of-state shipper who ships the beverage into Wisconsin, or (c) the Wisconsin distillery, winery, or brewery. The distilled spirits tax is 85.86¢ per liter. The wine tax is either 6.605¢ per liter for wine that is 14% or less alcohol, or 11.89¢ per liter for wine that is more than 14% alcohol. The beer tax is \$2.00 per a 31 gallon barrel. The cider tax is 1.71¢ per liter for cider that is 7% or less alcohol.

CIGARETTE AND TOBACCO PRODUCTS TAXES

The cigarette tax is paid by distributors who purchase tax stamps from the Department of Revenue, which they apply to each pack of cigarettes. The tax is then passed through the distribution chain to the end consumer. The tax on a 20-pack was raised to 77¢ on October 1, 2001. Tobacco products are cigars, cheroots, snuff, chewing tobacco, and other forms of tobacco prepared for chewing or smoking in a pipe. A 25% excise tax is

imposed on the manufacturer's list price of these products and paid by the manufacturer, shipper, or distributor.

FEES

The Income, Sales, and Excise Tax Division collects the following fees:

The *delinquent account fee* is assessed on taxpayers who owe delinquent taxes, interest and penalties. The *petroleum inspection fee* funds the Petroleum Environmental Cleanup Fund Award Program, petroleum tank and inspection programs, and clean air and environmental programs in Wisconsin.

TABLE 1
TAX COLLECTIONS BY TAX TYPE
(thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
TOTAL COLLECTIONS						
Individual income tax	\$5,047,324	\$5,162,239	\$5,962,010	\$5,156,565	\$4,979,662	\$5,051,997
Corporation income/franchise tax	627,024	635,203	644,625	537,159	503,008	526,545
State sales/use tax	3,047,406	3,284,695	3,501,659	3,609,895	3,695,796	3,737,912
Gift tax ¹	65	78	0	4	3	0
Estate / Inheritance tax ¹	80,046	116,820	133,261	77,080	82,631	68,702
Beverage taxes	42,005	42,119	44,132	44,912	45,525	45,557
Cigarette / Tobacco products taxes ²	257,096	266,818	257,896	254,868	302,701	309,205
Homestead & misc. credit recovery	6,884	270	95	173	88	242
Controlled substance tax ³	55	33	18	9	0	0
TOTAL - GENERAL FUND TAXES	\$9,107,906	\$9,508,274	\$10,543,697	\$9,680,667	\$9,609,415	\$9,740,161
Motor, spec., alt., & gen. aviation fuel tax	\$747,137	\$798,693	\$811,055	\$824,906	\$863,434	\$898,967
Recycling surcharge	53,615	35,755	9,614	26,331	12,529	15,428
County sales/use tax	175,230	185,541	212,499	221,650	232,243	236,660
Baseball Stadium sales/use tax	18,333	20,734	21,935	22,505	24,400	24,959
Football Stadium sales/use tax	N/A	N/A	N/A	7,181	18,573	18,922
Local exposition district tax	11,073	13,352	12,824	14,187	13,954	14,504
Business tax registration fee ⁴	1,013	1,998	1,504	1,808	1,692	
Delinquent tax collection fee	9,449	9,953	11,274	10,685	11,024	10,024
Petroleum inspection fee	103,842	110,953	110,864	111,595	102,380	116,956
Endangered resources donation	547	640	610	703	701	727
TOTAL COLLECTIONS	\$1,120,240	\$1,177,618	\$1,192,178	\$1,241,552	\$1,280,930	\$1,337,147
ADDITIONAL COLLECTIONS INCLUDED IN TOTAL COLLECTIONS						
Individual income tax	\$59,599	\$52,290	\$51,549	\$66,474	\$58,156	\$55,262
Corporation income/franchise tax	51,652	39,797	37,448	34,283	29,517	48,188
Sales/use tax	69,566	62,844	79,853	70,186	66,622	85,512
Gift tax ¹	44	74	0	0	3	0
Estate / Inheritance tax ¹	3,465	6,905	8,130	2,039	1,618	1,799
Excise taxes ⁵	1,363	6,884	1,941	4,337	7,451	7,943
Recycling surcharge	1,386	1,246	549	342	364	304
Local exposition district tax	306	435	437	441	731	695
Homestead & misc. credit recovery	6,884	270	95	173	88	242
TOTAL ADDITIONAL COLLECTIONS	\$194,265	\$170,743	\$180,003	\$178,277	\$164,551	\$199,945

TABLE 1 - CONTINUED
TAX COLLECTIONS BY TAX TYPE
(thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
DELINQUENT COLLECTIONS INCLUDED IN TOTAL COLLECTIONS						
Individual income tax	\$48,397	\$46,586	\$56,670	\$63,323	\$65,995	\$65,390
Corporation income/franchise tax	3,696	3,127	3,592	3,954	6,011	4,253
Sales/use tax	27,938	26,437	31,476	35,314	40,296	33,645
Gift tax ¹	4	0	0	0	0	0
Estate / Inheritance tax ¹	81	14	50	3	1	4
Excise taxes ⁵	341	154	207	130	274	223
Temporary recycling surcharge	227	196	250	146	129	155
Local exposition district tax	125	137	155	169	168	220
Business tax registration fee	16	28	31	153	108	106
Delinquent tax collection fee	9,449	9,953	11,274	10,685	11,024	10,024
TOTAL DELINQUENT COLLECTIONS	\$90,275	\$86,632	\$103,705	\$113,876	\$124,006	\$114,022
DELINQUENT COLLECTIONS NOT INCLUDED IN TOTAL COLLECTIONS ⁶						
Real estate transfer fee	\$84	\$190	\$91	\$66	\$125	\$118
Utility tax	560	385	610	394	541	260
Manufacturing penalty	109	113	165	153	148	152
TOTAL DELINQUENT COLLECTIONS NOT INCLUDED IN TOTAL COLLECTIONS	\$753	\$688	\$867	\$613	\$814	\$531
TOTAL DELINQUENT COLLECTIONS ⁷	\$91,028	\$87,320	\$104,571	\$114,489	\$124,820	\$114,553
TOTAL ENFORCEMENT COLLECTIONS	\$285,293	\$258,063	\$284,574	\$292,766	\$289,370	\$314,498

1. Gift and inheritance taxes were phased out over a 5-year period beginning with 20% reduction on 1/1/88; 40% reduction on 1/1/89; 60% reduction on 1/1/90; 80% reduction on 1/1/91 and 100% reduction on 1/1/92.

2. Cigarette tax increased to \$0.38 on May 1, 1992; to \$0.44 on Sept. 1, 1995; to \$0.59 on Nov. 1, 1997; and to \$0.77 on Oct 1, 2001. 70% of cigarette taxes are refunded to Native American tribes if sold on Native American land.

3. Controlled substance tax ---During the Fiscal Years 1990-1999, drug tax collections, including drug tax stamp sales, totaled \$1,184,429, of that amount refunds totaling \$861,466 were returned to 75 law enforcement agencies throughout the state that were involved in the drug tax arrests that led to subsequent collections of drug tax assessments.

4. FY97-FY99 updated this year based on new information.

5. Excise taxes include beverage, cigarette, tobacco products, and fuel taxes.

6. Delinquent amounts for these three taxes administered by State and Local Finance Division are collected by IS&E's Compliance Bureau.

7. Total delinquent collections included in total collections does not include refunds.

Source: Tax Revenue Accounting Section, Financial & Mgmt Service, ES Division & Compliance Bureau, IS&E Division.

TABLE 2
TAX COLLECTION DETAIL BY TAX AND PAYMENT TYPE
(thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
INDIVIDUAL INCOME TAX						
Withholding (initial)	\$4,307,798	\$4,640,992	\$5,109,008	\$4,886,310	\$4,916,439	\$5,072,710
Estimated tax (initial)	855,884	921,051	977,568	976,489	851,965	836,667
Paid with return (income & fiduciary)	290,658	266,316	369,048	260,412	204,303	189,109
Additional (income, fiduciary & withhldg.)	59,599	52,290	51,549	66,474	58,156	55,262
Delinquent (income, fiduciary & withhldg.)	48,397	46,586	56,670	63,323	65,995	65,390
Total collections	\$5,562,337	\$5,927,236	\$6,563,844	\$6,253,008	\$6,096,859	\$6,219,138
Less refunds ¹	(688,647)	(930,534)	(774,687)	(1,285,464)	(1,313,354)	(1,391,093)
Less endangered resources donation	(547)	(640)	(595)	(703)	(701)	(669)
Net collections	\$4,873,143	\$4,996,063	\$5,788,562	\$4,966,841	\$4,782,804	\$4,827,376
Add-back of "appropriation" tax credits						
Homestead credit	\$79,817	\$77,181	\$79,956	\$99,569	\$104,420	\$113,411
Farmland Preservation credit	19,648	17,765	18,181	17,071	16,485	16,287
Farmland tax relief credit	10,650	10,845	15,513	11,265	13,276	23,030
Earned income credit	64,042	60,376	59,798	61,819	62,677	71,893
Development zone-jobs credit	0	0	0	0	0	0
Development zone-sales credit	25	9	0	0	0	0
Total tax credit add-backs	\$174,182	\$166,176	\$173,449	\$189,724	\$196,858	\$224,621
TOTAL COLLECTIONS/ADD-BACKS	\$5,047,324	\$5,162,239	\$5,962,010	\$5,156,565	\$4,979,662	\$5,051,997
CORPORATION FRANCHISE/INCOME TAX						
Estimated tax (all initial)	\$646,378	\$667,513	\$683,016	\$579,371	\$551,776	\$551,709
Paid with return	30,849	37,932	42,597	37,350	41,041	40,641
Additional	51,652	39,797	37,448	34,283	29,517	48,188
Delinquent	3,696	3,127	3,592	3,954	6,011	4,253
Total collections	\$732,575	\$748,368	\$766,653	\$654,958	\$628,344	\$644,791
Less refunds	(107,462)	(114,118)	(122,850)	(118,569)	(126,120)	(118,953)
Net collections	\$625,112	\$634,250	\$643,803	\$536,389	\$502,225	\$525,838
Add-back of "appropriation" tax credits						
Farmland Preservation credit	\$347	\$343	\$316	\$287	\$314	\$220
Farmland tax relief credit	469	374	506	483	469	487
Development zone-jobs credit	571	90	0	0	0	0
Development zone-sales credit	524	146	0	0	0	0
Total tax credit add-backs	\$1,912	\$953	\$822	\$770	\$783	\$707
TOTAL COLLECTIONS/ADD-BACKS	\$627,024	\$635,203	\$644,625	\$537,159	\$503,008	\$526,545

TABLE 2-CONTINUED
TAX COLLECTION DETAIL BY TAX AND PAYMENT TYPE
(thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
STATE SALES/USE TAX						
Initial	\$2,970,693	\$3,210,263	\$3,409,688	\$3,523,430	\$3,611,311	\$3,643,030
Additional ²	69,566	62,844	79,853	70,186	66,622	85,512
Delinquent	27,938	26,437	31,476	35,314	40,296	33,645
Total collections	\$3,068,197	\$3,299,544	\$3,521,017	\$3,628,930	\$3,718,230	\$3,762,187
Less refunds	(20,791)	(14,849)	(19,358)	(19,035)	(22,434)	(24,275)
NET COLLECTIONS	\$3,047,406	\$3,284,695	\$3,501,659	\$3,609,895	\$3,695,796	\$3,737,912
GIFT TAX						
Paid with return ³	\$17	\$4	\$0	\$4	\$0	\$0
Additional	44	74	0	0	3	0
Delinquent	4	0	0	0	0	0
Total collections	65	78	0	4	3	0
Less refunds	0	0	0	0	0	0
NET COLLECTIONS	\$65	\$78	\$0	\$4	\$3	\$0
ESTATE / INHERITANCE TAX						
Initial ³	\$78,716	\$111,790	\$128,337	\$76,383	\$83,345	\$69,440
Additional	3,465	6,905	8,130	2,039	1,618	1,799
Delinquent	81	14	50	3	1	4
Total collections	82,262	118,708	136,517	78,424	84,964	71,244
Less refunds	(2,217)	(1,888)	(3,256)	(1,344)	(2,333)	(2,541)
NET COLLECTIONS	\$80,046	\$116,820	\$133,261	\$77,080	\$82,631	\$68,702
BEVERAGE TAX						
Beer (initial)	\$9,257	\$9,157	\$9,389	\$9,357	\$9,590	\$9,513
Liquor (initial)	30,487	30,693	32,328	33,099	33,436	33,362
Wine (initial)	2,219	2,228	2,353	2,373	2,426	2,565
Additional	41	41	62	83	74	117
Delinquent	0	0	0	0	0	0
TOTAL COLLECTIONS	\$42,005	\$42,119	\$44,132	\$44,912	\$45,525	\$45,557
CIGARETTE & TOBACCO PRODUCTS TAX						
Cigarette (initial) ⁴	\$247,386	\$256,255	\$246,829	\$241,665	\$284,983	\$291,812
Tobacco products (initial)	9,258	9,299	10,190	11,056	13,739	15,162
Additional	442	1,258	845	2,095	3,923	2,126
Delinquent	10	5	32	51	56	105
TOTAL COLLECTIONS	\$257,096	\$266,818	\$257,896	\$254,868	\$302,701	\$309,205

TABLE 2 - CONTINUED
TAX COLLECTION DETAIL BY TAX AND PAYMENT TYPE
(thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
MOTOR, SPECIAL, GENERAL AVIATION & ALTERNATE FUEL TAX						
Initial motor vehicle fuel tax ⁵	\$759,759	\$813,957	\$831,275	\$849,552	\$883,583	\$915,960
Additional motor vehicle fuel tax	868	5,571	1,006	2,154	3,450	5,696
Delinquent motor vehicle fuel tax	182	96	145	68	205	102
Total collections	\$760,809	\$819,623	\$832,426	\$851,774	\$887,239	\$921,758
Less refunds	(16,533)	(23,342)	(23,772)	(29,084)	(26,013)	(25,078)
Net motor vehicle fuel tax collections	<u>\$744,276</u>	<u>\$796,282</u>	<u>\$808,654</u>	<u>\$822,690</u>	<u>\$861,225</u>	<u>\$896,680</u>
Initial general aviation fuel tax	\$1,463	\$1,337	\$1,274	\$1,247	\$1,224	\$1,310
Additional general aviation fuel tax	9	13	8	4	3	2
Delinquent general aviation fuel tax	4	5	1	0	0	0
Total general aviation fuel tax collections	<u>\$1,476</u>	<u>\$1,354</u>	<u>\$1,283</u>	<u>\$1,250</u>	<u>\$1,226</u>	<u>\$1,312</u>
Initial alternate fuel tax ⁶	\$1,236	\$1,007	\$1,068	\$954	\$969	\$958
Additional alternate fuel tax	2	1	20	2	1	1
Delinquent alternate fuel tax	146	48	30	10	12	15
Total alternate fuel tax collections	<u>\$1,385</u>	<u>\$1,057</u>	<u>\$1,118</u>	<u>\$965</u>	<u>\$983</u>	<u>\$975</u>
TOTAL FUEL TAX COLLECTIONS	<u>\$747,137</u>	<u>\$798,693</u>	<u>\$811,055</u>	<u>\$824,906</u>	<u>\$863,434</u>	<u>\$898,967</u>

1. Income tax refunds include refunds offset against delinquencies and/or agency setoff accounts, and certain other adjustments (audit and redeposited checks).
2. Since present systems no longer allow us to track additional tax collections from the sales tax non-filer program, this account has been understated by \$12 to \$24 million a year since 1996.
3. Gift and inheritance taxes were phased out over a 5-year period beginning with 20% reduction on 1/1/88; 40% reduction on 1/1/89; 60% reduction on 1/1/90; 80% reduction on 1/1/91 and 100% reduction on 1/1/92.
4. Cigarette tax increased to \$0.38 on May 1, 1992; to \$0.44 on September 1, 1995; and to \$0.59 on November 1, 1997. 70% of cigarette taxes are refunded to Native American tribes if sold on Native American land.
5. 1993 Wis. Act 16, effective 4-1-94, made special fuel a motor vehicle fuel tax.
6. New alternate fuel tax effective 4-1-94 (includes LPG and CNG, formerly special fuels).

NOTE: Special Fuel Tax category ceased effective 4/1/94.

Source: Tax Revenue Accounting Section, Financial & Mgmt Services Bureau, ES Division

TABLE 3
USE TAX COLLECTIONS
(thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
STATE USE TAX						
Form ST-12 (initial)	\$154,887	\$226,903	\$154,534	\$158,834	\$173,458	
Form 1 (initial)	1,267	1,389	1,525	1,560	1,450	1,580
Other (initial)	71,520	78,765	88,394	86,200	90,700	89,994
Additional & Delinquent	14,257	9,019	9,673	11,226	20,304	28,282
TOTAL	\$241,933	\$316,076	\$254,126	\$257,819	\$285,912	\$119,856

COUNTY USE TAX

Form ST-12 (initial)	\$8,762	\$9,823	\$13,227	\$11,048	\$11,620	
Other (initial)	4,195	4,928	5,772	5,725	6,271	6,456
Additional & Delinquent	20	20	9	18		
TOTAL	\$14,771	\$14,771	\$19,008	\$16,792	\$17,891	\$6,456

BASEBALL STADIUM USE TAX

Form ST-12 (initial)	\$1,041	\$2,082	\$1,356	\$1,260	\$1,417	\$466
Other (initial)	319	326	364	392	347	351
TOTAL	\$2,408	\$2,408	\$1,721	\$1,652	\$1,764	\$816

FOOTBALL STADIUM USE TAX

Form ST-12 (initial)	N/A	N/A	N/A	N/A	1,448	641
Other (initial)	N/A	N/A	N/A	146	288	303
TOTAL	\$0	\$0	\$0	\$146	\$1,736	\$944

All numbers listed are estimated with the exception of those listed for State Use Tax, Form 1 (initial).

Sales and use taxes are combined as one tax in the Division's information technology systems. Therefore, the amount of use tax collected cannot be exactly determined. This table presents estimates of the use tax portion of sales/use taxes collected.

Estimated use tax may be understated due to: a) omission of processing adjustments and office audit adjustments, and b) use tax reported as sales tax. Estimated use tax may be overstated due to liability reported but not paid.

Source: Tax Revenue Accounting Section, Financial & Mgmt Services Bureau, ES Division & Audit Bureau, IS&E Division.

TABLE 4
DELINQUENT TAXES
(thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
BEGINNING BALANCE						
Individual income	\$275,662	\$ 312,410	\$ 298,393	302,802	298,445	352,699
Withholding	249,304	242,174	164,851	179,859	199,685	206,703
Corporation franchise/income	41,022	56,075	17,288	19,475	21,258	20,903
Sales/use	254,241	218,919	144,039	158,043	181,461	199,025
Miscellaneous ¹	57,445	58,640	44,863	44,002	10,459	9,105
TOTAL DELINQUENCIES ²	\$877,673	\$888,218	\$ 669,433	\$ 704,181	\$ 711,308	\$788,435
CREDITS (CASH COLLECTIONS, REFUND OFFSETS, ETC.)						
Individual income	\$113,612	\$109,331	90,575	88,120	97,878	155,767
Withholding	174,050	247,874	147,993	247,914	167,308	187,320
Corporation franchise/income	18,208	53,201	8,385	10,182	12,394	18,782
Sales/use	156,514	216,247	136,464	144,948	159,320	111,273
Miscellaneous ¹	8,019	21,453	4,296	42,299	8,116	10,737
TOTAL CREDITS	\$470,402	\$648,105	\$387,714	\$533,463	\$445,017	\$483,879
DEBITS (NEW ACCOUNTS, INTEREST & FEES) ³						
Individual income	\$152,972	\$103,948	94,984	83,763	152,132	117,357
Withholding	161,287	173,195	163,002	267,739	174,326	153,014
Corporation franchise/income	24,034	18,541	10,572	11,965	12,039	24,999
Sales/use	152,385	135,316	150,468	168,366	176,884	133,528
Miscellaneous ¹	8,641	4,659	3,435	8,756	6,763	11,923
TOTAL DEBITS	\$499,320	\$435,659	\$422,461	\$540,590	\$522,144	\$440,822
ENDING BALANCES						
Individual income	\$ 315,022	\$ 307,027	302,802	298,445	352,699	314,289
Withholding	236,541	167,496	179,859	199,685	206,703	172,397
Corporation franchise/income	46,848	21,416	19,475	21,258	20,903	27,120
Sales/use	250,112	137,987	158,043	181,461	199,025	221,280
Miscellaneous ¹	58,068	41,846	44,002	10,459	9,105	10,292
TOTAL DELINQUENCIES ⁴	\$906,591	\$675,772	\$ 704,181	\$ 711,308	\$788,435	\$745,378

1. Miscellaneous includes aviation, business tax registration, drug, exposition, gift, inheritance & estate, liquor, manufacturing, motor fuel, real estate transfer, recycling, special fuel, tobacco, and utility. A delinquent tax collection fee was provided in 1991 Wisconsin Act 39, effective July 1, 1992. The posting of approximately \$31 million in collection fees caused the posting of approximately \$179 million in interest to inactive accounts.

2. The new delinquent tax system was implemented on July 1, 1998. Interest is updated on all accounts and the total on file is computed without including duplicate liabilities owed by multiple entities. These changes explain the difference between the ending balances and the beginning balances.

3. The delinquent tax collection fee increased from 4.5% to 6.5% of the delinquent account balance effective December 31, 1995, as provided in 1995 Wisconsin Act 27. The fee increase caused the posting of approximately \$116 million in interest.

4. The reduced delinquent balance at the end of 1998-99 reflects the department's initial use of expanded write-off authority as part of post-amnesty legislation.

Source: Compliance Bureau, IS&E Division

TABLE 5
DOCUMENTS FILED, REGISTERED ACCOUNTS & TAXPAYERS

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
INCOME TAX						
Individual returns						
Paper keyed	1,891,259	1,828,890	1,734,948	1,547,838	1,198,297	579,026
Paper scanned returns	501,659	506,021	534,381	589,537	710,457	999,747
Electronic returns (ELF)	352,889	466,029	614,108	750,384	949,917	1,275,237
Total returns	2,745,807	2,800,940	2,883,437	2,887,759	2,858,671	2,854,010
Income--EFT payments (trusts est.)	9,201	4,194	9,272	5,396	3,243	2,576
Homestead credit claims	175,038	162,630	174,554	203,313	233,784	218,693
Farmland preservation credit claims	21,659	21,888	22,272	21,265	20,897	46,765
Partnership returns	33,754	37,786	36,090	46,961	46,842	46,765
Corporation return - domestic	50,028	49,487	47,922	44,876	44,467	44,291
- foreign	62,318	66,353	68,567	68,768	71,515	71,230
EFT payments made (corporation)	2,086	3,050	3,858	8,132	9,377	9,377
Estimated tax, individuals filing ¹	232,389	246,674	N/A	N/A	172,541	176,511
Estimated tax, individual installments	911,010	815,907	1,040,613	922,459	810,204	756,311
Estimated tax, corporation installments	73,425	67,117	50,850	41,645	36,406	36,339
Estimated tax, partnership installments	N/A	N/A	N/A	715	1,240	1,476
Total Number of Active Withholding Accounts						
semi-monthly	21,211	20,251	24,526	26,732	27,321	26,353
monthly	70,526	66,580	78,666	75,905	75,524	70,927
quarterly	32,040	40,053	24,769	25,522	28,181	32,599
annually	24,556	22,103	22,277	24,262	23,051	22,145
Total registered employers	148,333	148,987	150,238	152,421	154,077	152,024
Withholding reports	1,429,226	1,386,343	1,339,927	1,050,103	979,961	935,696
FIDUCIARY, INHERITANCE/ESTATE & GIFT TAXES						
Fiduciary returns	62,858	63,613	66,059	67,504	65,433	65,215
Closing certificates	10,629	10,675	10,466	9,598	9,246	8,890
Inheritance/Estate tax returns ²	2,498	2,668	2,664	764	2,605	2,042
Gift tax returns (donee) ²	22	42	14	9	5	2
SALES/USE TAX						
Account locations filing:						
monthly--due 20th of month	34,313	31,784	30,849	29,703	34,936	29,185
monthly--due last day of month	46,239	41,954	40,811	43,333	49,211	40,302
quarterly	47,761	46,714	49,595	51,106	44,675	46,032
annually	73,865	66,658	67,048	68,280	59,938	57,835
Total registered account locations	202,178	187,110	188,303	192,422	188,760	173,354
Total active registrants	169,139	167,553	154,954	156,999	167,086	
Sales/use tax returns	997,817	949,475	1,071,568	967,610	994,483	997,346

TABLE 5-CONTINUED
DOCUMENTS FILED, REGISTERED ACCOUNTS & TAXPAYERS

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
BEVERAGE & TOBACCO TAX						
Tobacco permits	1,865	2,450	2,523	1,547	1,135	
Beer permits	434	530	626	440	674	
Liquor permits	4,239	4,613	4,729	3,656	3,284	
Total permits	6,538	7,593	7,878	5,643	5,093	0
Returns	11,138	11,603	12,122	12,087	12,023	12,378
MOTOR FUEL TAX						
Motor fuel licensees ³	131	131	140	142	151	632
General aviation licensees	180	172	176	180	173	180
Alternate fuel licensees ⁴	188	181	176	172	161	159
Transporter certificates	245	243	238	230	253	238
Total licensees/registrants	744	727	730	724	738	1,209
Returns ³	6,491	4,523	4,555	4,691	4,476	4,438
Refund claims	12,989	15,904	11,367	11,122	9,950	9,903
LOCAL EXPOSITION DISTRICT TAX						
Returns	13,767	11,411	11,655	10,325	11,273	12,282

1. Starting in FY00 DOA mails estimated tax documents to taxpayers - data for FY00 and FY01 unavailable.

2. Gift and inheritance taxes were phased out over a 5-year period beginning with 20% reduction on 1/1/88; 40% reduction on 1/1/89; 60% reduction on 1/1/90; 80% reduction on 1/1/91 and 100% reduction on 1/1/92.

3. The point of taxing diesel fuel and motor fuel was moved to the terminal level effective 4/1/94, in 1993 Wisconsin Act 16.

4. Alternate fuel tax effective as of 4/1/94 in 1993 Wisconsin Act 16.

Source: Tax Revenue Acct Unit, ES Division; Registration Unit, P&CS Division; and Audit Bureau, IS&E Division

TABLE 6
REFUNDS ISSUED

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
NUMBER OF REFUNDS ISSUED						
Individual income	1,839,477	2,035,868	1,919,656	2,218,185	2,212,165	2,224,613
Corporation	14,557	16,245	19,053	12,190	12,995	10,867
Sales and Use tax	49,794	49,447	47,067	44,251	59,184	40,774
Inheritance/Estate tax	187	182	230	228	239	271
Excise taxes	545	543	534	541	546	444
Recycling surcharge	918	810	1,975	95	286	175
Motor fuel taxes	12,989	15,904	11,367	11,122	9,950	9,903
Exposition center taxes	286	186	212	226	226	229
Baseball Stadium sales tax	240	30	12	12	12	13
Football Stadium sales tax	N/A	N/A	N/A	7	12	12
Withholding tax	7,616	7,024	7,090	9,910	9,903	8,288
TOTAL NUMBER OF REFUNDS ISSUED	1,926,609	2,126,239	2,007,196	2,296,767	2,305,518	2,295,589
AMOUNT OF REFUNDS ISSUED						
Individual income	\$ 652,389,882	\$ 889,833,273	\$ 728,272,310	\$1,231,078,163	\$1,249,860,545	\$1,329,427,081
Corporation	107,488,313	109,463,792	122,368,228	117,934,176	121,787,612	119,350,660
Sales and Use tax	200,146,586	197,589,048	227,984,566	236,799,253	229,315,108	256,978,665
Inheritance/Estate tax	2,216,569	1,887,786	3,256,161	1,343,564	2,257,329	2,541,236
Excise taxes	2,157,027	2,265,109	2,427,468	4,202,346	2,957,430	4,260,235
Recycling surcharge	501,767	437,188	1,482,458	332,524	458,560	503,417
Motor fuel taxes	16,375,863	22,361,814	25,473,350	29,865,118	24,914,715	25,191,065
Exposition center taxes	10,785,213	13,092,749	12,562,264	13,923,965	13,730,164	14,239,409
Baseball Stadium sales tax	18,474,849	20,598,125	21,588,541	21,465,163	21,884,005	24,643,193
Football Stadium sales tax	N/A	N/A	N/A	7,781,264	16,755,638	14,239,409
Withholding tax	8,474,627	13,256,630	17,688,170	12,445,330	10,778,214	7,787,146
TOTAL AMOUNT OF REFUNDS ISSUED	\$1,019,010,696	\$ 1,270,785,515	\$ 1,163,103,516	\$1,677,170,866	\$1,694,699,320	\$1,799,161,516

Source: Tax Revenue Accounting Section, Financial & Mgmt Services Bureau, ES Division

TABLE 7
SETOFF PROGRAMS

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
DELINQUENT TAX SETOFFS						
Individual income tax	\$5,531,110	\$6,305,606	\$11,976,608	\$7,989,040	\$6,832,641	\$6,367,417
Corporation income/franchise tax	190,501	319,872	192,173	85,909	436,159	243,285
Withholding income tax	1,209,499	1,339,394	1,567,822	2,166,914	1,434,763	1,730,830
Sales/use tax	2,496,511	2,789,147	3,549,631	3,017,030	3,160,736	2,946,355
Miscellaneous ¹	134,402	112,598	170,686	145,500	632,207	245,422
TOTAL DELINQUENT SETOFFS	\$9,562,023	\$10,866,617	\$17,456,920	\$13,404,393	\$12,496,506	\$11,533,309
AGENCY SETOFFS						
Health & Family Services	\$6,227	\$6,686	\$23,200	\$10,720	\$7,135	\$3,821
Transportation	8,338	12,291	24,252	14,831	20,322	22,809
Justice	2,299	1,174	15,439	6,588	6,367	3,818
Veterans Affairs	26,853	19,458	29,030	18,538	23,850	25,381
Workforce Development	12,943,842	12,189,316	23,524,784	16,929,482	18,307,142	18,735,655
Supreme Court ²	N/A	N/A	3,628	2,560	9,012	5,947
Natural Resources	1,391	1,695	2,993	1,943	3,168	2,766
Insurance Commission	285	8,124	9,022	3,506	3,811	1,415
University of Wisconsin	4,773	11,068	31,752	42,470	58,653	52,191
County & municipal	1,154,695	147,888	248,183	613,774	2,373,723	7,778,367
Internal Revenue Service (IRS) ³	N/A	N/A	N/A	N/A	2,332,578	1,677,251
Corrections	N/A	N/A	N/A	N/A	N/A	139,339
TOTAL AGENCY SETOFFS	\$14,148,703	\$12,397,701	\$23,912,284	\$17,644,412	\$23,145,761	\$28,448,760

1. Miscellaneous includes aviation, business tax registration, drug, exposition, gift, inheritance & estate, liquor, manufacturing, motor vehicle fuel, real estate transfer, recycling, special fuel, tobacco, and utility.

2. Supreme Court added to the offset program in 1999-2000.

3. IRS added to the offset program in 2001-2002

Source: Compliance Bureau and IS&E Division Administration

TABLE 8
REFUND CLAIMS REDUCED/DENIED

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Individual income tax ¹	\$975,350	\$1,195,794	\$1,792,300	\$3,225,386	\$1,837,272	\$6,431,143
Corporation income/franchise tax	21,201,547	15,778,034	19,534,744	4,937,751	5,932,970	4,915,735
Sales/use tax	4,577,931	5,605,381	1,613,881	2,996,426	2,375,369	2,521,216
Farmland Credits ²	255,547	595,922	272,930	103,951	54,995	68,847
Homestead credit ^{2,3}	7,075,502	7,020,981	7,447,766	7,937,309	7,257,996	8,842,837
Earned Income Credit	608,011	697,557	1,792,265	1,395,438	1,423,169	2,516,337
TOTAL	\$34,693,888	\$30,893,669	\$32,453,886	\$20,596,261	\$18,881,771	\$25,296,115

1. Amounts include adjustments made to returns by audit staff during processing.

2. Starting with FY99, the division has changed the definition of this category. These credits now include refunds claims adjusted/reduced/denied due to the screening of claims prior to processing. These amounts may also be included in processing statistics elsewhere in this report.

TABLE 9
TAXPAYER ASSISTANCE

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
OFFICE VISITS						
Appleton	25,139	21,147	27,521	21,598	23,233	21,348
Eau Claire	25,837	21,237	32,150	19,470	19,318	16,847
Madison	46,778	38,830	47,022	15,727	14,738	14,204
Milwaukee	39,177	41,309	39,437	45,085	51,538	38,020
Total	136,931	122,523	146,130	101,880	108,827	90,419
TELEPHONE CALLS						
Appleton	38,562	33,676	42,100	32,766	31,457	53,422
Eau Claire	30,178	27,274	37,584	23,228	20,866	36,269
Madison	1,270,707	859,344	475,612	495,568	354,329	655,634
Milwaukee	123,564	127,310	142,298	140,400	134,068	173,243
Total	1,463,011	1,047,604	697,594	691,962	540,720	918,568
VOICE RESPONSE UNIT CALLS ^{1,2}	634,345	805,284	753,781	603,681	706,760	591,656

1. The division currently has two Voice Response Units (VRU): The Madison unit has 48 lines and the Milwaukee unit has 16 lines.

The units answer refund inquiry calls and process TeleFile returns. VRU calls referred to in this table are refund inquiry calls only.

2. FY 2000-01 information for Madison VRU missing December-April

Source: IS&E Division Administration